



United States
General Accounting Office
Washington, D.C. 20548

Health, Education and Human Services Division

B-226323

October 2, 1995

The Honorable Michael Bilirakis
House of Representatives

Dear Mr. Bilirakis:

This letter responds to your request of September 21, 1995, for our comments on the accuracy of estimates attributed to GAO in a letter you had received from Florida Governor Lawton Chiles. The estimates in question refer to the impact on Florida of a formula proposed by the House Commerce Committee in a bill that would establish the MediGrant program, a new program that would replace the existing Medicaid program. You also asked that we provide other information regarding the formula in the Committee bill.

Specifically, Governor Chiles' letter stated that, according to GAO figures, Florida would lose \$7.6 billion under the House proposal. We did not make such an estimate. In discussions with state officials, they estimated the federal funding the state expects to receive under current law and compared that with the grant amounts Florida would receive under the House MediGrant formula. We only prepared the grant estimates under the House Committee bill. In estimating Florida's funding under current law, state officials assumed that Florida's federal funding would increase approximately 11.6 percent per year. We did not evaluate the assumptions used by the state in making that forecast. However, in a recent letter to the Chairman of the House Committee on Commerce on our review of the Urban Institute's Medicaid forecasts, we noted the difficulties of accurately predicting future forecasts of Medicaid spending, particularly at the state level. Based on the state's assumptions and our estimated funding under the House bill, state officials estimated that Florida would receive \$7.6 billion less under the House formula than it would under current law over the period from fiscal year 1996 through 2002 (see enclosure 1).

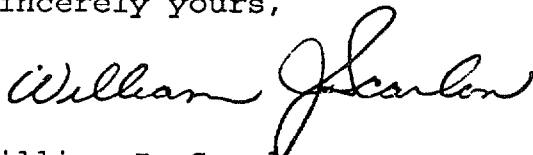
You also asked us to estimate the state match that would be required under present law and under the House proposal. We used the state's fiscal year 1996 federal matching

percentage to calculate the state match under Florida's current law projection, and we used the matching percentage under the House proposal to calculate the state match under that proposal. The estimates are included in enclosure 2. Florida's state match over the 7-year period is estimated to be \$30.6 billion under current law and \$15.8 billion under the House bill, a difference of \$14.8 billion.

You asked us for the projected increases in Florida's share of federal grants under the House proposal. These are shown in enclosure 3. Florida's share of federal Medicaid payments in fiscal year 1994 was 3.67 percent. The House proposal would phase in a new formula by guaranteeing minimum growth rates for some states and placing limits on the maximum growth a state could receive each year. As a result of these "phase in" provisions, Florida's share of total federal funding is estimated to increase from 3.67 percent in fiscal year 1994 to 4.13 percent by fiscal year 2002, and is projected to increase to 5.38 percent of the total when the new formula is fully in effect.¹ This represents a 47-percent increase in Florida's share of total federal funding under the new program.

If you have any questions regarding this letter or if we can be of further assistance, please call Jerry Fastrup, Assistant Director, at (202) 512-7211 or me at (202) 512-4561. Richard Horte of my office prepared the information contained in this letter.

Sincerely yours,



William J. Scanlon
Associate Director
Health Financing Issues

Enclosures - 3

¹This assumes no change in the values for the need indicators used in the formula for determining state shares. Changes in future years could result in higher or lower shares.

FLORIDA'S ESTIMATE OF FEDERAL FUNDING GROWTH UNDER CURRENT
LAW COMPARED WITH GROWTH UNDER HOUSE PROPOSAL, FISCAL YEARS
1996-2002

Dollars in billions

Fiscal year	Estimated federal grant		Difference
	Current law ^a	House proposal ^b	
1996	\$3.744	\$3.509	\$0.235
1997	4.193	3.825	0.368
1998	4.696	4.054	0.642
1999	5.260	4.298	0.962
2000	5.891	4.555	1.336
2001	6.598	4.829	1.769
2002	7.390	5.119	2.271
Total	\$37.772	\$30.189	\$7.584

^aBased on Florida's estimate of funding growth under current law.

^bBased on GAO's estimate of the House formula.

FLORIDA'S REQUIRED STATE EXPENDITURES TO FULLY MATCH FEDERAL
GRANT, FISCAL YEARS 1996-2002

Dollars in billions

Fiscal year	Estimated federal grant		Difference
	Current law ^a	House proposal ^b	
1996	\$3.050	\$1.839	\$1.211
1997	3.410	2.005	1.405
1998	3.814	2.125	1.689
1999	4.265	2.253	2.013
2000	4.771	2.388	2.383
2001	5.336	2.531	2.805
2002	5.969	2.683	3.287
Total	\$30.615	\$15.823	\$14.792

^aBased on Florida's estimate of funding growth under current law.

^bBased on GAO's estimate of the House formula.

FLORIDA'S ESTIMATED SHARE OF FEDERAL ALLOTMENT UNDER HOUSE
PROPOSAL, FISCAL YEARS 1996-2002

Fiscal year	Percent share
1994 (actual)	3.67
1996	3.67
1997	3.75
1998	3.82
1999	3.90
2000	3.97
2001	4.05
2002	4.13
When formula fully phased in	5.38

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